

**Exchanging Taxpayer Information from the Department of Revenue (DOR) to the  
Legislative Fiscal Analyst (LFD) and Office of Budget and Program Planning (OBPP)**

**Dan Bucks, Director of Revenue**  
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**State Constitution**

With regard to the use of private financial and personal information in tax returns, the administration believes that the right of individual privacy under the Article 10, Section 2 of the Montana Constitution needs to be respected. That section reads as follows:

*The right of individual privacy is essential to the well-being of society and shall not be infringed without the showing of a compelling state interest.*

**Background on Statutory Law**

From the standpoint of relevant federal and state law, there are four categories of information that need to be separately understood:

1. **Social Security Numbers:** Social security numbers are given special protection under the Federal Privacy Act and under proposed state legislation from Economic Affairs Committee.
2. **Federal Tax Information:** This is information provided to state tax administration agencies (e.g. Montana Department of Revenue) by the IRS. Pursuant to federal law, the DOR is prohibited from re-disclosing this information, except to its legal representatives, contractors and the Legislative Auditor. This means the DOR is prohibited from providing this information to the LFD and OBPP.
3. **Federal "Wrap-Around Information":** This is information provided by Montana taxpayers on state returns. This information can be exchanged by the DOR with other agencies for any legitimate state purpose, including revenue modeling, provided that state law authorizes the inter-agency disclosure and protects the information as confidential.
4. **State Tax Information:** This is information provided by Montana taxpayers on state returns pursuant to state tax law and that has no connection or basis in federal returns. This information is subject to exchange pursuant to state law.

Please note that any state laws and procedures on exchange of information are subject to potential taxpayer claims based on various provisions of the Montana and U.S. Constitutions, including the privacy and due process clauses of the Montana Constitution, the due process clause of the U.S. Constitution and to claims based on federal law.

State employees are subject to federal criminal penalties and private civil suits under federal law if they improperly disclose federal tax information.

The Internal Revenue Service may also stop sharing federal tax information with a state's tax agency if the state does not properly safeguard federal tax information.